

AGENDA

Utility Management Review Board

April 2, 2009

10:00 am

Room 31, Legislative Plaza

(6th Avenue between Charlotte Avenue and Union Street)
Nashville, Tennessee

Call to Order

Approval of Minutes

Cases:	Tarpley Shop Utility District	Giles County
	Bedford County Utility District	Bedford County
Status:	Iron City Utility District	Lawrence County
Petition:	Springville Utility District creation Henry County	
Complaint:	Webb Creek Utility District/Bent Creek Utility District Webb Creek Utility District/Outdoor Resorts	
Miscellaneous:	Complaint log Jurisdiction list Open Meetings educational program Clay County Gas Utility District Clay County	

Pending Legislation:	SB0660/HB1779
	SB0748/HB1254
	SB1041/HB1044
	SB1539/HB0875
	SB1540/HB0876
	SB2049/HB1979

Open Discussion

Visitors to the Legislative Plaza are required to pass through a metal detector and must present photo identification. Individuals with disabilities who wish to participate in this meeting or to review filings should contact the Division of Local Finance to discuss any auxiliary aids or services need to facilitate such participation. Such contact may be in person or by writing, telephone or other means, and should be made prior to the scheduled meeting date to allow time to provide such aid or service. Contact the Division of Local Finance (Ms. Joyce Welborn) for further information

Suite 1700, James K. Polk State Office Building
505 Deaderick Street
Nashville, TN 37243-0274
Telephone (615) 401-7864
Fax (615) 532-5232
Joyce.Welborn@state.tn.us

MINUTES
of the
UTILITY MANAGEMENT REVIEW BOARD MEETING
FEBRUARY 2, 2009
10:00 a.m.

Chairman David Norton opened the meeting of the Utility Management Review Board (UMRB) at Legislative Plaza, Room 31, Nashville, Tennessee.

Board members present and constituting a quorum:

David Norton, Chairman, Hixon Utility District

Ann Butterworth, Vice Chairman, Designee of Comptroller

Ken Pointer, Designee of Commissioner of Department of Environment and Conservation (TDEC)

Dr. Rosemary Wade-Owens, Consolidated Utility District

Donnie Leggett, Hardeman-Fayette Utility District

Troy Roach, New Market Utility District

Ray Smith, West Tennessee Public Utility District

Ronald West, Waldens Ridge Utility District

Don Stafford, Eastside Utility District

Staff present:

Joyce Welborn, Division of Local Finance; Comptroller's Office

David Bowling, Division of Local Finance; Comptroller's Office

Bobby Lee, General Counsel; Comptroller's Office

Others present:

Bill Case, Division of Municipal Audit; Comptroller's Office

John Hall, Tennessee Association of Utility Districts

APPROVAL OF MINUTES

Chairman Norton called for a motion to approve the minutes of the October 2, 2008 meeting. Ms. Butterworth made the motion. Mr. Pointer seconded the motion and it was approved.

CASE STUDIES

SUNBRIGHT UTILITY DISTRICT

Ms. Welborn made the presentation concerning Sunbright Utility District. According to information provided by the Division of Municipal Audit, as of March 31, 2008 the District has reported at least three consecutive years of negative change in net assets. Since January, 2008, major changes have taken place in the operation and management of the District. In previous information submitted to the UMRB, the District indicated planned rate increases in 2009, in 2010 and in 2011. Because of the changes which have occurred, the District is currently requesting that they not be required to implement the increase in 2009. The negative change in net assets was reduced 54% between 2007 and 2008—from negative \$144,581 to negative \$66,534. Staff recommends the Board concur with the actions of the District and not require the 2009 rate increase. The Board concurred with staff's recommendation. The District remains under the jurisdiction of the Board and an annual review of the District will be conducted until the District is no longer considered financially distressed.

STATUS REPORT

Iron City Utility District

Copies of the District's minutes of September, October and November 2008 have been included in the Board packet. They indicate the District has changed out old water meters and is in the process of detecting leaks and making repairs where necessary.

COMPTROLLER

Ms. Butterworth introduced Comptroller Justin Wilson. Comptroller Wilson expressed his appreciation for the work done by the UMRB, and he stated that the Office of the Comptroller will continue to assist the Board in the performance of its responsibilities. Chairman Norton thanked the Comptroller and invited him to appear before the Board at any time.

COMPLIANCE REPORT

The following utility districts are now in compliance and no longer under the jurisdiction of the Board.

Sale Creek Utility District

The District's financial statements as of June 30, 2008 indicated a positive change in net assets of \$58,862 and total net assets of \$960,974.

Arthur Shawanee Utility District

The District's financial statements as of June 30, 2008 indicated a positive change in net assets of \$19,599 and total net assets of \$6,008,798.

Humphreys County Utility District

The District's financial statements as of June 30, 2008 indicated a positive change in net assets of \$190,900 and unrestricted net assets of \$13,293,400.

South Elizabethton Utility District

The District's financial statements as of February 28, 2008 indicated a positive change in net assets of \$27,735 and unrestricted net assets of \$725,468.

MISCELLANEOUS

Election of Officers—Ms. Welborn stated that it was necessary at this meeting to consider election of officers. Mr. Smith made a motion that the current officers continue to serve in their respective positions. Mr. Pointer seconded the motion and it was approved.

Open Meeting Education Program—Ms. Butterworth distributed materials concerning the open meetings training program and asked that board members review the materials and provide any comments to herself as Director of the Office of Open Records Counsel or to Ms. Welborn.

Lone Oak Utility District Legal Issues—Ms. Welborn reviewed the situation concerning the proposed sale of Lone Oak Utility District to a private water company via Sequatchie County Government. She stated that the Attorney General's Office has advised that the UMRB has no statutory authority to require a utility district to merge with another utility district. Mr. Leggett stated that if the UMRB may not take any direct action with regard to Lone Oak Utility District, then the UMRB should not comment on any proposal to sell the district to a private entity. The Board agreed.

Webb Creek Utility District—Ms. Welborn indicated that on December 12, 2008 she received a petition from Outdoor Resorts at Gatlinburg, Inc., requesting the UMRB to review the decision of Webb Creek Utility District with regard to a change in its rate structure. The public hearing for that review was held immediately prior to the UMRB meeting currently in progress. Representatives from the utility district, Outdoor Resorts, and Bent Creek Condominiums made presentations to the Board. Parties were encouraged to work together and appear at the next UMRB meeting with a resolution.

2009 Meeting Schedule—Ms. Welborn provided a schedule of the proposed meeting dates for the UMRB during calendar year 2009.

Complaint Log—Ms. Welborn provided a listing of complaints received and actions which she has taken concerning those complaints.

Jurisdiction List—Ms. Welborn provided a listing of utility districts currently under the UMRB.

2008 Annual Report—Ms. Welborn stated that the 2008 UMRB annual report had been prepared and distributed as required by law. A copy of the report had been sent to the members electronically.

PENDING LEGISLATION

Ms. Welborn discussed the proposed legislation concerning when districts will be reported to the UMRB by Municipal Audit. Statutes currently provide for three years of operating losses; the proposed legislation will reduce this to two years.

OPEN DISCUSSION

Water Loss—Ms. Welborn stated that while districts have been including water loss reports in their financial statements, the reports have not been prepared in a consistent manner as required by the Division of Municipal Audit. Ms. Welborn proposed that staff prepare a letter to be signed by the Chairman and sent to all districts advising them that if they do not include the form as prepared by the Division of Municipal Audit, they will be required to appear before the Board. Ms. Welborn stated that the Water/Wastewater Financing Board will be asked to take similar action with regard to municipal water/wastewater systems. Following a brief discussion, Ms. Butterworth made the motion that staff prepare a letter to be signed by the Chairman and distributed to all utility districts. Dr. Wade-Owens seconded the motion and it was approved.

Chairman Norton asked for a motion to adjourn, which was made by Mr. Smith. Mr. Leggett seconded the motion and it was approved. Chairman Norton declared the meeting adjourned.

Respectfully submitted,

David Norton
Chairman

Joyce Welborn
Board Coordinator

Case Study

Case: Tarpley Shop Utility District
Location: Giles County
Manager: Cleveland Byrd
Customers: 1,037 water
Water loss: 33.9%

The Tarpley Shop Utility District has been reported to the Board as three consecutive years with negative change in net assets as of June 30, 2007.

The rates in effect for the June 30, 2007 audit were:

0 - 2,000 gallons	\$17.50 minimum bill
2,001 – 8,000 gallons	\$ 4.78 per thousand gallons
Over 8,000 gallons	\$ 3.20 per thousand gallons

The following rates were effective September 15, 2007:

0 - 1,500 gallons	\$17.50 minimum bill
1,501 – 7,500 gallons	\$ 6.00 per thousand gallons
Over 7,500 gallons	\$ 5.00 per thousand gallons

A 21 % increase on the 5,000 gallon user.

The last increase for the District was on February 15, 2003. Late in 2008, the District located a leak that was responsible for lost water in the amount of 50,000 to 75,000 gallons per day. The water was surfacing in a spring ¼ of a mile away from the actual leak location.

Approximately 500,000 gallons of water daily is purchased from the City of Pulaski for \$1.70 per thousand gallons. Water is sold to the South Giles Utility District for \$2.40 per thousand gallons.

The system contains of approximately 200 miles of pipe. The meter change out program is ranked by oldest meter, customer usage, and high total usage.

Based on FY 2008 draft information submitted by the District's auditor, the District has a positive change in net assets on June 30, 2008 of \$131,159.89.

Staff recommends the Board endorse the actions of the Tarpley Shop Utility District.

Many years ago there was a blacksmith in the area named Tarpley. The community that developed around the blacksmith shop became known as Tarpley Shop – thus the name of the utility district.

TARPLEY SHOP UTILITY DISTRICT				
HISTORY FILE				
	Audited 2005	Audited 2006	Audited 2007	
Fiscal Year June 30				
Water revenues	\$ 390,104	\$ 410,765	\$ 409,137	
Other revenues	\$ 23,298	\$ 30,633	\$ 34,648	
Total Operating Revenues	\$ 413,402	\$ 441,398	\$ 443,785	
Total Operating Expenses	\$ 453,098	\$ 427,957	\$ 421,160	
Operating Income	\$ (39,696)	\$ 13,441	\$ 22,625	
Other reimbursements	\$ 36,279		\$ 3,487	
Interest Expense	\$ 46,271	\$ 41,879	\$ 42,743	
Change in Net Assets	\$ (49,688)	\$ (28,438)	\$ (16,631)	
<u>Supplemental Information</u>				
Principal payment	\$ 31,343	\$ 34,270	\$ 30,687	
Depreciation	\$ 101,443	\$ 98,764	\$ 90,596	
Water Rates				
First 2,000 gallons	\$ 17.50	\$ 17.50	\$ 17.50	
2,001 - 8,000 gallons	\$ 4.78	\$ 4.78	\$ 4.78	
over 8,000 gallons	\$ 3.84	\$ 3.84	\$ 3.84	
Customers	1,013	1,032	1,037	
Water Loss			33.90%	

Tarpley Shop Utility District							
Projections							
	Audited 2007	Projected 2008	1%	Growth rate Projection 2009	Growth rate Projection 2010	Growth rate Projection 2011	
Fiscal Year June 30							
Water revenues	\$ 409,137	\$ 413,228		\$ 417,360	\$ 421,534	\$ 425,749	
Other revenues	\$ 34,648	\$ 34,648		\$ 34,648	\$ 34,648	\$ 34,648	
			12%	\$ 50,083	\$ 50,584	\$ 51,090	
Total Operating Revenues	\$ 443,785	\$ 447,876		\$ 502,092	\$ 506,766	\$ 511,487	
Total Operating Expenses	\$ 421,160	\$ 433,795	3%	\$ 446,809	\$ 460,213	\$ 474,019	
Operating Income	\$ 22,625	\$ 14,081		\$ 55,283	\$ 46,553	\$ 37,468	
Other reimbursements	\$ 3,487						
Interest Expense	\$ 42,743	\$ 41,825		\$40,241	\$38,560	\$36,781	
Change in Net Assets	\$ (16,631)	\$ (27,744)		\$ 15,042	\$ 7,993	\$ 687	
<u>Supplemental Information</u>							
Principal payment	\$ 30,687	\$ 29,476		\$ 32,285	\$ 34,141	\$ 35,045	
Depreciation	\$ 90,596	\$ 90,596		\$ 90,596	\$ 90,596	\$ 90,596	
Water Rates							
First 2,000 gallons	\$ 17.50						
2,001 - 8,000 gallons	\$ 4.78						
over 8,000 gallons	\$ 3.84						
Customers	1,037						
Water Loss	33.90%						

Case Study

Case: Bedford County Utility District
Location: Bedford County
Manager: Martin Davis
Customers: 239 gas

The Bedford County Utility District has been reported to the Board as having at least five consecutive years with a negative change in net assets and a deficit total net assets in its gas system as of June 30, 2007.

The rates in effect as shown in the June 30, 2008 audit were:

Minimum bill \$ 5.00 minimum bill

Rates per MCF varies throughout the year

Although the audit reflects a \$5.00 minimum bill, the District states that on July 1, 2007, the minimum bill was increased to \$5.50.

In August 1997, the District petitioned the UMRB to be allowed to add gas and sewer services. Shortly after the adoption of the feasibility plan prepared for the District, the "bottom fell out" of the natural gas market. This created extreme hardships on the District, which it has yet to overcome.

The District has tried many ways to gain additional customers, but to no avail.

At its meeting in October 2008, the Board granted the District additional time to "aggressively market the system" and report to the Board in six months the progress of the plan.

BEDFORD COUNTY UTILITY DISTRICT						
GAS HISTORY FILE						
	Audited 2004	Audited 2005	Audited 2006	Audited 2007	Audited 2008	
Fiscal Year June 30						
Gas revenues	\$ 162,342	\$ 222,104	\$ 341,948	\$ 262,496	\$ 377,280	
Other revenues			\$ 2,900	\$ 4,900	\$ 3,950	
Total Operating Revenues	\$ 162,342	\$ 222,104	\$ 344,848	\$ 267,396	\$ 381,230	
Total Operating Expenses	\$ 297,885	\$ 348,350	\$ 445,996	\$ 352,324	\$ 416,386	
Operating Income	\$ (135,543)	\$ (126,246)	\$ (101,148)	\$ (84,928)	\$ (35,156)	
Interest Expense	\$ 163,012	\$ 164,638	\$ 182,154	\$ 187,777	\$ 194,753	
TCA Reportable Income	\$ (298,555)	\$ (290,884)	\$ (283,302)	\$ (272,705)	\$ (229,909)	
Restatement					\$ 90,851	
Total Net Assets - Gas	\$ (717,741)	\$ (1,009,210)	\$ (1,292,512)	\$ (1,565,217)	\$ (1,704,275)	
<u>Supplemental Information</u>						
Principal payment	\$ 31,559	\$ 33,091	unknown	unknown	\$ 56,876	
Depreciation	\$ 110,291	\$ 115,245	\$ 119,249	\$ 125,196	\$ 112,212	
Gas Rates						
Customer monthly charge			\$ 5.00	\$ 5.00	\$ 5.00	
Per MCF			varies thru year	varies thru year	varies thru year	
Customers - gas	221	208	221	232	239	
Gas loss	8.85%	5.66%	unknown	unknown		



March 26, 2009

Mr. Martin Davis, General Manager
Bedford County Utilities District
P.O. Box 2755
Shelbyville, TN 37162

RE: BEDFORD COUNTY UTILITY DISTRICT NATURAL GAS DEPARTMENT
COMPARISON OF FISCAL YTD 2008 TO FISCAL YTD 2009

Dear Mr. Davis,

Bedford County Utility District ("the District") engaged Jackson Thornton Utilities ("JTU") to provide consulting services for the District's gas system. JTU has completed a review of the District's billings, consumption, and revenue by rate class for the Fiscal YTD 2008 (July 2007 – February 2008) and the Fiscal YTD 2009 (July 2008 – February 2009).

This letter serves as a follow up to the "2008 Cost of Service Analysis" provided by JTU dated September 9, 2008 and submitted to the Utility Management Review Board ("UMRB") at its October 2008 meeting. Our initial analysis referenced four (4) areas, customer growth, natural gas sales, cost control and rates, as critical to the long-term viability of the District's gas system. At the October 2008 meeting, UMRB requested that the District provide further information on the progress of achieving these specific goals. The following is a brief summary of the key components of the District's success.

Customer Growth - The District recognizes the importance of customer growth to the long term viability of the gas department. The district has completed the first round of a targeted marketing campaign with the hope that more potential customers within the District's territory will switch from propane to Natural Gas. Currently, the District is preparing a second marketing campaign to the same prospect base. If these prospects connected to the District's gas system, it would provide a larger customer base for the District to recover fixed costs, such as debt service. This will help mitigate the problem of having to recover fixed costs in a variable and highly seasonal usage based rate.

The table below illustrates the continued significant customer growth that the District's gas department has seen during the review period:

BCUD Gas Department Billings				
	FYTD 2008	FYTD 2009	Actual Change	% Change
Residential	1,695	1,811	116	6.8%
Commercial	102	135	33	32.4%
Agricultural	170	201	31	18.2%
System Total	1,967	2,147	180	9.2%

Natural Gas Sales – The District continues to have significant growth in natural gas sales. The 245,863 CCF's sold during the first seven months of the current fiscal year is equal to 93% of the gas sold for the entire 2008 fiscal year. While this is partially weather related, the customer growth illustrated above is also a major factor in the 56.5% sales growth illustrated below:

BCUD Gas Department Sales (CCF)				
	FYTD 2008	FYTD 2009	Actual Change	% Change
Residential	47,270	60,517	13,247	28.0%
Commercial	21,208	38,415	17,207	81.1%
Agricultural	88,597	146,931	58,334	65.8%
System Total	157,075	245,863	88,788	56.5%

As you can see, the Agricultural class is the major driver for the sales growth with a growth rate of almost 66% – accounting for approximately 60% of the District's total sales through the first seven months of the Fiscal Year 2009. This is a great indicator of the growing strength of the system. One of the most formidable challenges for a gas system is off-peak sales. Given the consistent year-round usage by the Agricultural class, this challenge is minimized. The District is continuing to receive interest from the Agricultural community, due in large part to its price competitiveness with propane. If the District were to lose its competitiveness with propane, not only would the District likely lose existing customers, but potential customers would be reluctant to connect to the system.

At this time, JTU is conducting Feasibility Studies on behalf of the District for three separate Agricultural projects which could add up to another 100,000 CCF sold annually.

Sales Revenue – With dramatic increases in both customers and units sold, it is only natural for there to also be an increase in the amount of revenue for the District. The

table below illustrates the revenue growth from the first seven months of FY 2008 compared to the first seven months of FY 2009:

BCUD Gas Department Revenue				
	FYTD 2008	FYTD 2009	Actual Change	% Change
Residential	\$ 68,954	\$ 85,325	\$ 16,371	23.7%
Commercial	\$ 32,420	\$ 55,570	\$ 23,150	71.4%
Agricultural	\$ 110,691	\$ 182,896	\$ 72,205	65.2%
System Total	\$ 212,066	\$ 323,791	\$ 111,726	52.7%

The District has also been extremely aggressive with cost control. For the period evaluated, total expenses have increased by \$71,555, with more than \$64,000 of that increase attributed to natural gas purchases and transportation expense.

In conclusion, the District has seen considerable growth in all three categories (billings, unit sales, and revenue) for the time period in which they were reviewed. The District recognizes that it needs to continue improving in all three categories and has made this a priority. With outside assistance, the District will continue to track and monitor the gas system and make changes when warranted. The District is confident that, given time, the natural gas department will become self-sufficient. The District remains committed to this goal and continues to employ all the necessary resources to ensure this goal is met.

Sincerely,


W. Terry Mitchell
Principal, Jackson Thornton Utilities

RESIDENTIAL ENERGY COST COMPARISON

The cost of various forms of energy are calculated in several different ways. This can make it difficult for consumers to compare the actual cost of the energy fuel they are using. The following information compares the retail prices of various forms of energy on an equal basis.

Average BTU* content for various energy fuels:

Natural Gas	1,000,000	Btu	per MCF
Kerosene	135,000	Btu	per Gallon
Propane Gas (LP)	91,500	Btu	per Gallon
Electricity	3,413	Btu	per Kilowatt Hour

Amount of fuel required to obtain one million btu:

Natural Gas	1 MCF	per million Btu
Kerosene	7.4 Gallons	per million Btu
Propane Gas (LP)	11 Gallons	per million Btu
Electricity	293 Kilowatts	per million Btu

Form of Energy	Units to obtain one million BTU	Substitute your present cost**	Cost per million BTU
Natural Gas	1 MCF x	\$12.88	\$12.88
Kerosene	7.4 Gallons x	\$3.68	\$27.23
Propane Gas (LP)	11 Gallons x	\$2.85 Per quote from local distributor	\$31.35
Propane Gas (LP)	11 Gallons x	_____ Your cost for LP	_____
Electricity	293 Kilowatt x	\$0.08	\$23.44

* Btu stands for British Thermal Unit.

** Costs shown reflect local energy prices as of

Jan. 09

** Natural gas costs include a monthly PGA ***

*** PGA stands for Purchased Gas Adjustment

**2.5%.....3.7%.....4.9%.....looking for
a REAL investment for you money?**

Why not save 30% on your investment?

**A natural gas water
heater can deliver
that, and so much
more.....**



Switch to a natural gas water heater and stop feeding the beast!

Natural gas water heaters can **save 30%** over comparable electric units.

Natural gas water heaters provide **twice the hot water**.

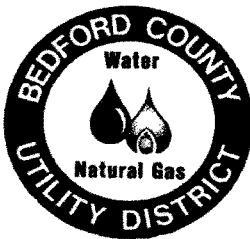
Natural gas water heaters are **low maintenance**.

Natural gas water heaters have **no heating elements** to replace.

And no more worries about those **COLD SHOWERS!**

GET OUTSTANDING SAVINGS WITH OUR REBATE PROGRAM!

So what are you waiting for.....get into hot water, **TODAY!**



Bedford County Utility District

214 Bethany Lane

P O Box 2755

Shelbyville, TN 37162

Office (931) 684-1667

"Your Hometown Natural Gas Provider Since 2001"

**BEDFORD COUNTY UTILITY DISTRICT
214 BETHANY LANE
P.O. BOX 2755
SHELBYVILLE, TENNESSEE
931-684-1667
MARTIN DAVIS, GENERAL MANAGER**

May 30, 2008

«AddressBlock»

«GreetingLine»

The Bedford County Utility District (BCUD) Board of Commissioners is very aware of the rising cost of Energy. We would like to help you save your energy dollars.

Natural Gas has remained very competitive, during these times of rising energy cost.

The BCUD Board of Commissioners has adopted a program to help you tap into the savings of Natural Gas. Enclosed you will find a copy of the BCUD Natural Gas Incentive Program that explains the rebates available to you if you choose to convert to Natural Gas. Also enclosed are some information sheets and a work sheet that you can use to calculate your savings from switching to Natural Gas.

Please call and set up an appointment for me to explain the program further and answer your questions. I am looking forward to hearing from you.

Sincerely yours,

Martin Davis

Natural Gas Is America's Best Energy!

Consider these Facts

Natural Gas is.....

- **Economical**...compared to other energy sources such as electricity, propane, and kerosene, natural gas costs **LESS!**
- **Dependable** ...a vast network of underground pipelines are interconnected to deliver natural gas energy without interruption.
- **Environmentally friendly**...natural gas is a naturally occurring energy resulting from a normal process of decomposition.
- **Efficient** ...from its source of supply, to the ultimate consumer, the natural gas transmission system is America's most efficient energy system.
- **Domestically produced** ...abundant supplies of natural gas are available in our own country reducing our dependence on others.
- **Comfortable** ...whether for heating, water heating, cooking, drying, etc. nothing heats better than natural gas.



Bedford County Utility District



Please come visit our office and let us explain the many advantages of Natural Gas!

*Bedford County Utility District
214 Bethany Lane
P O Box 2755
Shelbyville, TN 37162
Office (931) 684-1667*

"Your Hometown Natural Gas Provider Since 2001"

BCUD Natural Gas Total Incentive Program

“Base-load gas installations”: For the purpose of determining who qualifies for base-load natural gas incentives, a base-load gas installation is defined as follows:

Residential: Natural gas heating unit and a combination of natural gas-fired appliances, such as a water heater, a cooking range, a clothes dryer or other appliances, specified by the *Bedford County Utility District Board of Commissioners* as sufficient to adequately increase base-load requirements.

Commercial: Natural gas heating unit and a combination of natural gas-fired units specified by the *Bedford County Utility District Board of Commissioners* as sufficient to adequately increase base-load requirements.

Industrial: Natural gas heating unit, natural gas water heating, or natural gas-fired devices (used in the manufacture or processing of materials and/or goods) specified by the *Bedford County Utility District Board of Commissioners* as sufficient to adequately increase base-load requirements.

Gas main extensions for large commercial or industrial customers: Natural gas main extensions or service line installation to large commercial or industrial customers may be furnished by BCUD if the cost and feasibility of the provided service is deemed by the *Bedford County Utility District Board of Commissioners* as sufficient to adequately increase base-load requirements.

Note: Under no circumstances will BCUD be obligated to provide main extensions or service line installation for any customer at BCUD's expense. For the purpose of providing any requested natural gas service, commercial and industrial customers as well as developers may be required by the *Bedford County Utility District Board of Commissioners* to provide installation and/or funds for installation of improvements to the BCUD natural gas system. These costs may be offset by state and/or federal grants as might be available to the customer through either the County of Bedford or the City of Shelbyville.

PROPANE OR ELECTRIC CUSTOMERS

*** The incentives suggestions below will be offered in an effort to increase the "base-load" for the BCUD natural gas system. ***

Natural gas service incentives will be offered for a six month period beginning June 1, 2008, and ending December 31, 2008. These incentives will be offered to residential customers on existing natural gas lines who now have PROPANE OR ELECTRIC heating units, water heaters, cook stoves, and/or clothes dryers that convert to a natural gas heating system as their primary heat source.

The District will

1. Waive the usual gas tap fee, install the tap and run a service line from the gas main free for the first 400 feet and set the riser and meter. There will be a cost of \$2.00 per foot for all line over the first 400 feet.
2. Convert an existing propane unit by exchanging the orifice from propane to Natural Gas.
3. Install the appropriate piping from the meter to the unit.
4. Rebate the customer \$200 upon installation of a natural gas water heater.
5. Rebate the customer \$150 upon installation of a natural gas cooking range or \$50.00 for converting a propane range to natural gas.
6. Rebate the customer \$100 upon installation of a natural gas clothes dryer.

Each incentive will apply to installation of the first unit of that type only and will be available only for pre-approved installations. The incentive funds will be paid after BCUD confirms that the specified unit(s) have been installed.

Before service commencement, the customer must sign a Natural Gas Service Contract and must pay a \$50 refundable deposit and a \$50 non-refundable service fee.

(All piping for gas appliances that is run outside the home above ground, on the customer side of the meter, must be black steel pipe or equivalent, properly supported, and protected from corrosion. Other piping requirements also apply as required by the National Fuel Gas Code Handbook.)

(This Natural Gas Incentive program is subject to change or cancellation at any time at the discretion of the Bedford County Utility District Board of Commissioners. The terms of the incentive agreement between BCUD and the customer must be negotiated in advance and confirmed via contract with BCUD. Any violation of the contract would result in the customer being responsible for and required to repay any previously-incurred BCUD expense related to this agreement and the service provided.)

HOMES WITH GAS SERVICE ALREADY INSTALLED --- NOT USING GAS

*** The incentives suggestions below will be offered in an effort to increase the "base-load" for BCUD natural gas system. ***

Natural gas service incentives will be offered for a six month period beginning June 1, 2008, and ending December 31, 2008. These incentives will be offered to residential customers with GAS SERVICE ALREADY AT THEIR HOUSE THAT HAS NEVER BEEN TURNED ON. The incentives will be offered to customers who install a natural gas heating system as their main source of heat or convert their existing propane heating system to natural gas as their main source of heat.

The District will

1. Convert an existing propane unit by exchanging the orifice from propane to natural gas.
2. Install the appropriate piping from the meter to the unit.
3. Rebate the customer \$200 upon installation a natural gas water heater.
4. Rebate the customer \$150 upon installation of a natural gas cooking range or \$50.00 for converting a propane range to natural gas.
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(This Natural Gas Incentive program is subject to change or cancellation at any time at the discretion of the Bedford County Utility District Board of Commissioners. The terms of the incentive agreement between BCUD and the customer must be negotiated in advance and confirmed via contract with BCUD. Any violation of the contract would result in the customer being responsible for and required to repay any previously-incurred BCUD expense related to this agreement and the service provided.)

HOMES ON A NATURAL GAS LINE --- NO GAS TAP

*** The incentives suggestions below will be offered in an effort to increase the "base-load" for BCUD natural gas system. ***

Natural gas service incentives will be offered for a six month period beginning June 1, 2008, and ending December 31, 2008. These incentives will be offered to residential customers who have a GAS LINE RUNNING IN FRONT OF THEIR HOUSE, BUT DO NOT HAVE A GAS TAP OR METER SET. The incentives will be offered to customers who install a natural gas heating system as their primary heat source.

The District will

1. Waive the usual gas tap fee, install the tap and run a service line from the gas main free for the first 400 feet and set the riser and meter. There will be a cost of \$2.00 per foot for all line over the first 400 feet.
2. Rebate the customer \$200 upon installation of a natural gas water heater.
3. Rebate the customer \$150 upon installation of a natural gas cooking range or \$50.00 for converting a propane range to natural gas.
4. Rebate the customer \$100 upon installation of a natural gas clothes dryer.

Each incentive will apply to installation of the first unit of that type only and will be available only for pre-approved installations. The incentive funds will be paid after BCUD confirms that the specified unit(s) have been installed.

Before service commencement, the customer must sign a Natural Gas Service Contract and must pay a \$50 refundable deposit and a \$50 non-refundable service fee.

(All piping for gas appliances that is run outside the home above ground, on the customer side of the meter, must be black steel pipe or equivalent, properly supported, and protected from corrosion. Other piping requirements also apply as required by the National Fuel Gas Code Handbook.)

(This Natural Gas Incentive program is subject to change or cancellation at any time at the discretion of the Bedford County Utility District Board of Commissioners. The terms of the incentive agreement between BCUD and the customer must be negotiated in advance and confirmed via contract with BCUD. Any violation of the contract would result in the customer being responsible for and required to repay any previously-incurred BCUD expense related to this agreement and the service provided.)

EXISTING NATURAL GAS CUSTOMERS

*** The incentives suggestions below will be offered in an effort to increase the "base-load" for BCUD natural gas system. ***

Natural gas service incentives will be offered for a six month period beginning June 1, 2008, and ending December 31, 2008. These incentives will be offered to RESIDENTIAL CUSTOMERS WHO ALREADY HAVE BCUD NATURAL GAS SERVICE AND ARE USING NATURAL GAS AS THEIR MAIN SOURCE OF HEAT.

The District will

1. Rebate the customer \$200 upon installation a natural gas water heater.
2. Rebate the customer \$150 upon installation of a natural gas cooking range
3. Rebate the customer \$100 upon installation of a natural gas clothes dryer.

Each incentive will apply to installation of the first unit of that type only and will be available only for pre-approved installations. The incentive funds will be paid after BCUD confirms that the specified unit(s) have been installed.

(This Natural Gas Incentive program is subject to change or cancellation at any time at the discretion of the Bedford County Utility District Board of Commissioners. The terms of the incentive agreement between BCUD and the customer must be negotiated in advance and confirmed via contract with BCUD. Any violation of the contract would result in the customer being responsible for and required to repay any previously-incurred BCUD expense related to this agreement and the service provided.)

BUILDERS

*** The incentives suggestions below will be offered in an effort to increase the "base-load" for BCUD natural gas system. ***

Natural gas service incentives will be offered for a six month period beginning June 1, 2008, and ending December 31, 2008. This incentive will be offered to BUILDERS in subdivisions in the Bedford County Utility District service area where the District already has gas mains installed or in areas in which gas mains will be installed during the incentive program's duration.

If the home builder will install a natural gas heating system as the main source of heat in a new house he is building, the district will:

1. Rebate to the builder \$200 upon installation of a gas water heater.
2. Rebate to the builder \$150 upon installation of a cooking range.
3. Rebate to the builder \$100 upon installation of clothes dryer.

The incentive funds will be paid after BCUD confirms that the specified unit(s) have been installed. An incentive will apply to only the first unit of each type.

Before service commencement, the builder or new owner, whichever the case may be, must sign a Natural Gas Service Contract and must pay a \$50 refundable deposit and a \$50 non-refundable service fee.

(All piping for gas appliances that is run outside the home above ground, on the customer side of the meter, must be black steel pipe or equivalent, properly supported, and protected from corrosion. Other piping requirements also apply as required by the National Fuel Gas Code Handbook.)

(This program is subject to change at any time at the discretion of the Bedford County Utility District Board of Commissioners. In no way should this incentive program imply that BCUD will, at its own expense, extend natural gas service into areas not currently served by the utility. The terms of the incentive agreement between BCUD and the builder must be negotiated in advance and confirmed via contract with BCUD. Any violation of the contract will result in the builder being responsible for and required to repay any previously-incurred BCUD expense related to this agreement and the service provided.)

Bedford County Utility District

214 Bethany Lane

Shelbyville, TN. 37162 931-684-1667

RECEIVED
FEB 25 2009
LOCAL FINANCE

Iron City Utility Meeting
Sunday, January 25, 2009

Present at meeting: NaTanya Lanier, Tim Lamprecht, Jack Meigs, Phillip Palmer, Delphine Looney Brenda Selman, Rayford Kimbrell, Daphne Morton and Berry Morton.

Meeting was called to order by Phillip Palmer. We have two (2) new Commissioners which are Brenda Selman and Rayford Kimbrell. We welcomed them to the board. Tim Lamprecht led us in prayer. We went over the rules and regulations for the new Commissioners so they would be made aware of what we had to abide by. We familiarized them with rules regulations and operation responsibilities. T.A.U.D. is the rules we have to abide by.

The minutes from the December meeting were read. There was a motion to approve the minutes by Tim Lamprecht and seconded by NaTanya and everyone agreed by a vote.

The Board did agree to move the meter of Daphne and Berry Morton so the meter would be where they wanted, and this is to reduce complaints and to help satisfy customers. We have received a policy of cross connections. The Morton family also received a copy. Survey letter has to go out as soon as possible.

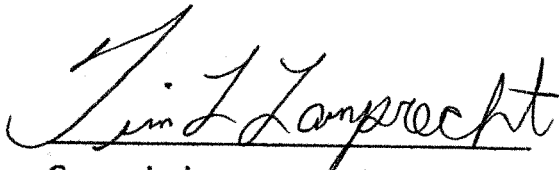
We need to elect a Secretary and NaTanya Lanier was nominated and approved. The Board also nominated Tim Lamprecht as Chairman of the Board which was seconded by Brenda Selman and there were no oppositions. Tim will be Chairman of the Board.

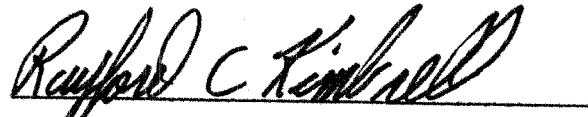
We still have 44% of water loss and have fixed several leaks. We are still in the process of fixing leaks. The pipe will have to be replaced from Poplar St. to Hazel St. There was a frozen place and this would solve this problem. Mrs. Looney needs to become a Notary Public so there was a motion made and approved by the Board. The cross connections survey forms have to be mailed out and it was


approved by the Commissioners. Tim Lamprecht has times he has to leave work to meet with County Executive Paul Rosson, CPA Polly Marsh, etc. It was suggested that Mr. Lamprecht needs to be reimbursed for time lost from work. This is to be brought to vote. A motion was made and greed upon that after our Attorney has inspected the minutes and determine that we can legally reimburse Mr. Lamprecht a vote will be done.

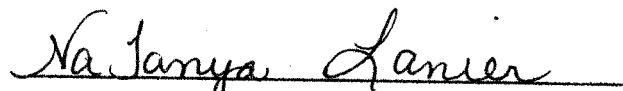
Polly Marsh suggested a rate increase of \$30 for a minimum bill and .88¢ for over the minimum. The rate hike was voted and all Commissioners did not vote yes, but the tie was broken.

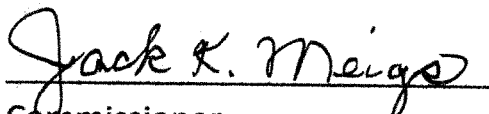
A motion to adjourn was made by NaTanya Lanier and seconded by Tim Lamprehct.


Commissioner


Commissioner


Commissioner


Commissioner


Commissioner

Commissioner

BEFORE THE COUNTY MAYOR OF HENRY COUNTY, TENNESSEE

IN RE:

PETITION FOR THE CREATION)
OF SPRINGVILLE UTILITY DISTRICT)
OF HENRY COUNTY, TENNESSEE)

PETITION FOR CREATION

To the Honorable Brent Greer, County Mayor of Henry County, Tennessee

Come now the petitioners, being over twenty-five (25) individuals who reside and own real property within the boundaries of the proposed district, and file this Petition seeking the creation of Springville Utility District of Henry County, Tennessee. In support of this petition, the petitioners state as follows:

1. The proposed utility district will provide water service within the boundaries of the proposed district in Henry County, Tennessee. No existing utility is currently providing water service in the portion of Henry County to be served by the proposed district.
2. The proposed name of the district is Springville Utility District of Henry County, Tennessee. The boundaries of the proposed district are set forth in **EXHIBIT 1** attached to this Petition.
3. The proposed district plans to construct a water distribution system to serve the residents of the Springville (/Britton Ford) community. The Springville/Britton Ford community is in desperate need of a safe, dependable public water system. Residents of the community currently rely on springs, wells and shallow TVA backwaters for their water supply. Many of the residences are and have been experiencing serious problems with lack of volume, contamination and excessive mineralization from the springs and wells as well as polluted run-off. A description of the proposed water system and an estimate of the cost of construction of the system are as set forth on **EXHIBIT 2** attached to this petition.

4. The petitioners hereby nominate the following residents and owners of real property within the boundaries of the proposed district to serve as commissioners without compensation:

- (a) Amon Evans to serve a four year term;
- (b) Keith Cheek to serve a three year term;
- (c) Lowell Wilson to serve a two year term;

5. Springville Utility District will provide water service to the proposed district by means of a transmission main from the City of Paris, Board of Public Utilities' transmission line at the Paris Industrial Park. It is anticipated there would be operating and maintenance agreements with private and/or individual contractors or the Paris Board of Public Utilities. Upon the creation of the District, applications for grants and loans will be submitted to the Rural Development Administration, other local, state and federal agencies and other possible funding sources.

6. The estimate of operational, maintenance and administrative costs upon completion of the project and a more detailed estimate of revenue and expenses is set forth on **EXHIBIT 3**.

7. The proposed district's tentative estimated schedule of rates and fees is set forth in **EXHIBIT 4**.

8. Based on the potentially hazardous situation and demonstrated need for clean, healthy, abundant water, and the estimated costs of construction, operation and potential funding, the creation of the proposed district is required by public convenience and necessity and is economically sound and desirable.

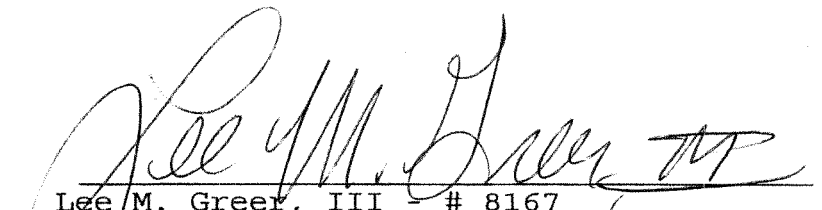
WHEREFORE, PETITIONERS PRAY:

1. That upon the receipt of Petition and comments on the Petition from the Utility Management Review Board, that the Henry County Mayor schedule a hearing within thirty (30) days thereafter and order publication of notice of hearing in a newspaper of general circulation within the proposed district's boundaries as required by T.C.A. § 7-82-202. An appropriate form for the Notice of Public Hearing is submitted to the County Mayor herewith.

2. That the County Mayor give notice of the filing of this Petition and of the date, time and place of the hearing to the Mayors of all towns with populations of 5,000 or more within 5 miles of the proposed district boundaries and to the Mayors of all towns with populations of less than 5,000 within three (3) miles of such boundaries in accordance with T.C.A. § 7-82-202; and, that the County Mayor give notice of filing of this Petition and of the date, time and place of the hearing to the managing officials of all water, sewer, or gas service facilities operated by a county, city or utility district within three (3) miles of the boundaries of the proposed district as required by T.C.A. § 7-82-202. Appropriate letters and the required certified mail forms relating thereto have been prepared for the convenience of the County Mayor and are submitted herewith.

3. That upon the hearing, the County Mayor find that public convenience and necessity require the creation of the proposed district with authority to provide water service; find that creation is economically sound and desirable; order that the proposed district be created; and, appoint the aforementioned nominees as the initial members of the proposed district's Board of Commissioners.

Respectfully submitted,



Lee M. Greer, III - # 8167
Greer & Greer, Attorneys
P.O. Box 385
Paris, TN 38242
(731) 642-8781

Attorney for the Petitioners

EXHIBIT 1

Boundary Description of Springville Utility District of Henry County,
Tennessee

LEGAL DESCRIPTION
SPRINGVILLE UTILITY DISTRICT
HENRY COUNTY, TENNESSEE

12/30/08

BEGINNING at the intersection of the centerline of State Highway 218 (aka Industrial Park Road) and the centerline of Louisville and Nashville Railroad right of way, as shown on Henry County Tax Map Number 107;

Thence southeast along the centerline of Louisville and Nashville Railroad right of way to the extended centerline of Foxhound Road;

Thence north along the centerline of Foxhound Road to the intersection of the centerline of Foxhound Road and County Home Road;

Thence along the centerline of County Home Road north and then west to the intersection of County Home Road and Alman Cemetery Road;

Thence along the centerline of Alman Cemetery Road in a northerly direction, passing on the west Bellwood Drive (*Springville Utility District reserves the right to provide water service to parcels fronting on Bellwood Drive unless water service exists by another utility and desires to provided service. In the event no service exists by utility service, Springville Utility District reserves the primary right of refusal for providing water service.*), to the extended southern line of Henry County Tax Parcel 26 Tax Map 094;

Thence along the line of Tax Parcels 26, 27, 29, and 19.02 Tax Map 094 to the common corner with Tax Parcels 19.02 and 18.10 Tax Map 094;

Thence along the northern line of Tax Parcels 19.02 and 19.01 Tax Map 094 to the centerline of Alman Cemetery Road;

Thence north along the centerline of Alman Cemetery Road to the intersection the centerline of an unnamed tributary to Turkeypen Creek located east of the south east corner of Parcel 41 Tax Map 087;

Thence along the centerline of an unnamed tributary to Turkeypen Creek to the intersection with the centerline of Turkeypen Creek;

Thence along the centerline of Turkeypen Creek, crossing Countrywood Subdivision (Springville Utility District reserves the right to provide water service to parcels in Countrywood Subdivision Units 3, 4 and 5 unless water service exists by another utility and desires to provided service. In the event no service exists by utility service, Springville Utility District reserves the primary right of refusal for providing water service.), to the common corner of Tax Parcels 21.08 and 22.05 Tax Map 094;

Thence east along the rear lines of Tax Parcels 22.05 and 22.04 Tax Map 094 to the north line of Tax parcel 22.08 Tax Map 094;

Thence east along the north line of Tax parcel 22.08 Tax Map 094 to the centerline of County Home Road;

Thence north along the centerline of County Home Road, (Springville Utility District reserves the right to provide water service to parcels fronting on the west side of County Home Road unless water service exists by another utility and desires to provided service. In the event no service exists by utility service, Springville Utility District reserves the primary right of refusal for providing water service.), to the southern line of Tax parcel 16.05 Tax Map 088 extended easterly to the centerline of County Home Road;

Thence along the southern line of Tax Parcel 16.05 Tax Map 088 to the common corner with Tax Parcel 16.14 Tax Map 088;

Thence along the southern line and western line of Tax Parcel 16.14 Tax Map 088 to the southern line of Tax Parcel 110 Tax Map 087;

Thence along the southern and western line of Tax Parcel 110 Tax Map 087 to the intersection of the centerline of Elkhorn Road;

Thence west along the centerline of Elkhorn Road to the western line of Tax parcel 11.02 Tax Map 087 extended southerly to the centerline of Elkhorn Road;

Thence along the western line of Tax Parcel 11.02 Tax Map 087, western, northern and eastern line of Tax Parcel 11 Tax Map 087 and eastern line of Tax Parcel 11.01 Tax Map 088 to the centerline of Elkhorn Road;

Thence east along the centerline of Elkhorn Road ,crossing Holly Fork Creek, (For this boundary Springville Utility District reserves the right to provide water service to all parcels fronting on Elkhorn Road unless water service exists by another utility and desires to provided service. In the event no service exists by utility service, Springville Utility District reserves the primary right of refusal for providing water service) to the intersection with Bobcat Road;

Thence east along the centerline of Bobcat Road (For this boundary Springville Utility District reserves the right to provide water service to all parcels fronting on Bobcat Road unless water service exists by another utility and desires to provide service. In the event no service exists by utility service, Springville Utility District reserves the primary right of refusal for providing water service) to the intersection with Henry, Benton County Line and centerline of the Big Sandy River;

Thence in a southwest direction along the Henry, Benton County Line and centerline of the Big Sandy River to the intersection of the centerline U.S. Highway 641;

Thence in a northwest direction along the centerline of U.S. Highway 641 to the intersection of centerline of Reynoldsburg Road;

Thence northwest along the centerline of Reynoldsburg Road to the intersection of an unnamed tributary to Spring Creek southwest of the common corner of Tax Parcels 18 and 18.01 Tax Map 150;

Thence along the centerline of the unnamed tributary to Spring Creek to the intersection with centerline of Spring Creek;

Thence northwest along the centerline of Spring Creek to the intersection of Harvey Bowden Road;

Thence along the centerline of Harvey Bowden Road west, north and then west to the common corner of Tax Parcel 6 and 7 Tax Map 135;

Thence north along the western line of Tax Parcel 6 Tax Map 135 to the intersection with the centerline of West Sandy Creek;

Thence west along the centerline of West Sandy Creek to the intersection with the centerline of Branch Fork;

Thence northwest along the centerline of Branch Fork to the southeast corner of Tax Parcel 11.18 Tax Map 127 and common corner with Tax Parcel 10 Tax Map 127;

Thence north along the line of Tax Parcel 10 Tax Map 128 and Tax Parcel 59 Tax Map 115 to the intersection of the centerline of U.S. Highway 641;

Thence in a southeast direction along the centerline of U.S. Highway 641 to the western line of Tax Parcel 1 Tax Map 128 extended southerly to the centerline of U.S. Highway 641;

Thence north along the west and northern line of Tax Parcel 1 Tax Map 128 and along northern line of Tax Parcel 1.05 Tax Map 128, crossing over Wade Dortch Road and going east over and across Tax Parcel 54 Tax Map 115 to the northwest corner of Tax Parcel 2.01 Tax Map 128;

Thence continuing east along the northern line of Tax Parcel 2.01 Tax Map 128 to the intersection with the centerline of Clifty Creek;

Thence north along the centerline of Clifty Creek to the western line of Tax Parcel 52 Tax Map 128 extended southerly to the centerline of Clifty Creek;

Thence north along the west line of Tax Parcel 52 Tax Map 128 to the intersection of the centerline of Clifty Road;

Thence in a northwest direction along the centerline of Clifty Road to the western line of Tax Parcel 48 Tax Map 115 extended southerly to the centerline of Clifty Road;

Thence north along the western line of Tax Parcels 48 and 48.01 Tax Map 115 then east along the north line of Tax Parcels 48.01 and 49 Tax Map 115 to the intersection of the centerline of Clifty Creek Road;

Thence south along the centerline of Clifty Creek Road to the northern line of Tax Parcel 51 Tax Map 115 extended westerly to the centerline of Clifty Creek Road;

Thence east along the northern line of Tax Parcel 51 Tax Map 115 continuing east along northern and eastern line of Tax Parcel 1 Tax Map 129 to northwest corner of Tax Parcel 38.03 Tax Map 114;

Thence east along northern line of Tax Parcel 38.03 Tax Map 114 to the western line of Tax Parcel 38 Tax Map 114;

Thence north, east, and then northeast along western line of Tax Parcel 38 Tax Map 114 to the intersection of the centerline of State Route 69A;

Thence in southeast direction along the centerline of State Route 69A to the western line of Tax Parcel 39.10 Tax Map 114 extended southerly to the centerline of State Route 69A *(For this boundary Springville Utility District reserves the right to provide water service to Parcels 26 and 39.02 Tax Map 114 fronting on State Route 69A unless water service exists by another utility and desires to provided service. In the event no service exists by utility service, Springville Utility District reserves the primary right of refusal for providing water service);*

Thence northeast along the western line of Tax Parcels 39.10, 39.05, 39.08, 39.07, 39.13 Tax Map 114;

Thence southeast along the northern line of Tax Parcels 39.13, 39.09, and 39.11 Tax Map 114 to the terminus of Watkins Road and western line of Tax Parcel 22.02 Tax Map 114;

Thence north and then southeast along line of Tax Parcel 22.02 Tax Map 114 to western line of Tax Parcel 22.04 Tax Map 114;

Thence north along the western line of Tax Parcel 22.04 Tax Map 114 to the northern line of Tax Parcel 22.05 Tax Map 114;

Thence northeast along the northern line of Tax Parcels 22.05, 22.03, 22.1, and 22.02 Tax Map 114 to the intersection of the centerline of the Louisville and Nashville Railroad right of way and the western line of Tax Parcel 12.01 Tax Map 114;

Thence north and then east along the west and north line of Tax Parcel 12.01 Tax Map 114 to the west line of Tax Parcel 12 Tax Map 114;

Thence north and then northeast along the line of Tax Parcel 12 Tax Map 114 to the southern line of Tax Parcel 12.06 Tax Map 114;

Thence northeast along southern line of Tax Parcels 12.06 and 12.02 Tax Map 114 extending northerly to the intersection of the centerline of Old Union Road;

Thence in a southwest direction along the centerline of Old Union Road to the intersection of the centerline of the Louisville and Nashville Railroad right of way;

Thence in a northwest direction along the centerline of the Louisville and Nashville Railroad right of way to the northern line of Tax Parcel 9 Tax Map 107 extended easterly to the centerline of the Louisville and Nashville Railroad right of way;

Thence west along the northern line of Tax Parcel 9 Tax Map 107;

Thence continuing west leaving the northern line of Tax Parcel 9 Tax Map 107 going on, over, and across Tax Parcel 15 Tax Map 88 and Tax Parcels 10, 10.01, and 11.02 Tax Map 107 to the southern line of Tax Parcel 11.02 Tax Map 107 common corner with Tax Parcel 13.04 Tax 107;

Thence continuing west along the southern line of Tax Parcel 11.02 Tax Map 107 and crossing Tax Parcel 13.04 Tax Map 107 to the north east corner of Tax Parcel 13.01 Tax Map 107;

Thence along the northern line of Tax Parcel 13.01 Tax Map 107 to the east line of Tax Parcel 17.01 Map 107;

Thence continuing west crossing Tax Parcel 17.01 Tax Map 107 to the southern corner of Tax Parcel 17 Tax Map 107 common corner of Tax Parcel 17.02 Tax Map 107;

Thence continuing west along the southern line of Tax Parcel 17 Tax Map 107 to the intersection of the centerline of State Route 218;

Thence north along the centerline of State Highway 218 (aka Industrial Park Road) to the intersection of the centerline of the Louisville and Nashville Railroad right of way, the Point of BEGINNING.

EXHIBIT 2

Description of the construction and cost of construction

An 8 inch transmission main from the City of Paris, Board of Public Utilities' transmission line in the Paris Industrial Park. Distribution piping ranging from 2 inch to 6 inch is proposed to be installed in two phases.

Estimated cost of construction, engineering, construction administration and contingency is \$2,870,000.

Description of proposed water system and estimate of cost of construction of the system

EXHIBIT 3

Estimate of revenues and expenses of the proposed water distribution system.

The proposed water rates listed at Table VI-3 are expected to generate the following annual revenues:

Table VI-3		
Phase I Anticipated Revenue		
Residential Water Revenue:	330	\$ 190,575
Commercial Water Revenue:	0	\$ 0.00
Total Revenue Generated		\$ 190,575

The \$190,575 annual revenue expected to be generated from the proposed water rates exceeds the \$183,873 annual cost expected for the proposed Springville Utility District water system following completion of the proposed project.

5. Estimated Water System Expenses

Table VI-1		
Estimated Annual Cost w/ \$2 M Grant		
Annual Administrative Cost:	=	\$ 50,000
Annual Depreciation	=	\$ 57,400
Annual Debt Service:	=	\$ 48,199
Annual Water Cost	=	\$ 28,274
Total Estimated Proposed Annual Water System Cost	=	\$ 183,873

EXHIBIT 4

Proposed District's estimated schedule of rates and fees

6. Estimated Proposed Water Rates

The proposed rate schedule presented at Table VI-2 is expected to generate the revenues necessary to fund the proposed Springville Utility District water system in accordance with Tennessee law following implementation of the projects described herein. These rates are heavily dependent on a grant amount and the number of customers that initially sign up. These rates are based on the implementation of Alternative 4 and Phase I, a \$2,000,000 grant, and 330 initial customers.

Table VI-2		
Proposed Water Rates		
<u>Customer Type</u>	<u>Usage (Gallon/Month)</u>	<u>Rate (\$ / 1,000 Gallons)</u>
Residential	0 to 2,500	\$ 45.60 (minimum charge)
	2,501 to 5,000	\$ 2.50
	Over 5,000	\$ 3.00
Commercial	0 to 2,500	\$ 45.60 (minimum charge)
	2,501 to 5,000	\$ 2.50

SUMMARY OF PETITION

The attached Petition seeks the creation of a utility district to be called the Springville Utility District, a not for profit enterprise. The boundaries of the district will include most of what is commonly called the Springville Community, as well as other land located generally in Southeast Henry County.

Upon formation of the district, the district intends to contract with some other utilities to bring water into the district for home and commercial usage.

PLEASE NOTE: SIGNING THIS PETITION IS NOT "SIGNING UP" FOR WATER SERVICE. That signing if, as, and when the district has water to furnish to residents will be by means of a separate subscription contract.

The initial board of directors of the district shall be: Amon C. Evans, Keith Cheek, and Lowell Wilson. James Webb has been selected as an alternate director by the County Mayor. The board will have power to enter into contracts, set rates, and otherwise deal with the provision of water supplies to the district.

Those supporting the idea of bringing a new water supply to the Springville area should indicate their support by signing at the indicated places.

w\misc\springufts\summary

1/26/2009	jw	Barbara Creighton	731-618-0650	Humboldt Utilities	\$375 electric bill	everything in house turned off and meter still runs, referred to Mayor/City Council utility wants to go back 66 months, ask for info in writing and law site
2/3/2009	jw	Jerry Bennett	631-0346	Lawrenceburg Electric	meter not working used 720 gallons bill was \$63. two small offices (20x30) on one meter	rate structure not fair. Explained UMRB procedures.
2/4/2009	jw	Don Wright	unknown	Sale Creek UD	water cut off for non payment w/o notice	\$50 too much, 2nd time cut off/referred to David Callahan/explain UMRB procedures
2/6/2009	jw	Tara Evert	423-451-7737	Soddy Daisy-Falling Water UD	pressure issues	referred to Erich Webber @ Nash EFO
2/10/2009	jw	Jody Waldrup	478-2434	Microfton UD	damage fee/meter not on property	charged reconnection fee w/o being cut off/pressure issues referred to TDEC
2/10/2009	jw	unknown/ 120 County Rd 701	423-829-0396	Riceville UD		
2/12/2009	jw	Sharon Dailey	TRA	South Blount UD	\$60 reconnect too high/rude	explained UMRB procedures
2/12/2009	jw	Angela Schwartz	931-762-0845	unknown	left msg on machine	
2/12/2009	jw	unknown	423-790-0184	Ocoee UD	high bill w/ late fee	2,000 gallons of water in one day/ leak repaired, Explained UMRB procedures/ sent to Tim Lawson.
2/23/2009	jw	Tim Garrett	unknown	Spring City	requires sewer payment with water connection.	referred back to city
2/24/2009	jw	Pamela Holiday	446-1692	Dickson Electric	\$75 increase in electric bill	referred back to city
2/25/2009	jw	unknown	730-8697	Nolensville/College Grove UD	w/s paid separately. Mistakenly sewer pd instead of water. Cut off for \$112.	legal to cut off. Only way to change is via TCA change.
2/26/2009	jw	Edward Clausen	323-8847	White House UD	charged \$1.95 to pay over the phone with a debit card	state law allows the recovery of actual costs.
2/26/2009	jw	Barbara Ethridge	395-4330	Horton Highway UD	very rude/very high bills	explained how commissioners appt'd
2/26/2009	jw	Andrea Shanks	865-637-0373	Hallsdale Powell UD	short due date	rec'd 23rd due 27th. Any guidelines, No problems between developer & contractor, UD won't install meters.
2/27/2009	jw	Sherill	423-331-8053	Ocoee UD	UD won't install meters	
2/27/2009	jw	not given	865-357-0260	1st UD Knox	no notice given of leak, not told until rec'd bill, agreed to terms/UD sent cut off notice	explained UMRB procedure. Go to mgr, then Bd of Comm, then UMRB. Had to pay \$75 re-read fee.
3/2/2009	jw	Brandi Adkins	TRA	Consolidated UD	lack of notification prior to disconnection.	see file
3/9/2009	jw	William Fields	423-234-6823 or 423-963-3112 cell	N. Greene Utilities	Rep. Yokely's office called.	not cutting off consistently. Investor owned referred to elected bd of directors.
3/9/2009	jw	Richard Summey	423-620-9747	Old Knox Hwy UD	water leak under road, replaced meter	damaged meter Explained UMRB procedures

3/12/2009	jw	Mike Coleman	865-919-2961	W. Knox UD	3 yr old house bought at auction. Required to pay \$1700 connection fee. UD has no record that fee was ever paid	Explained UMRB procedures. Take it to the mgr. first then the Bd then UMRB
3/13/2009	jw	Angela Akin agent for Mr. Mobley, homeowner	202-789-3451	1st UD Knox	water turned off at tenant request 10/28/08. Turned on by UD to change to digital meter 2/9/09. House flooded. UD dragging feet in settling claim	Explained UMRB procedures, referred to GM of UD and Bd of Comm. 12807 Bighorn Lane Farragut (5100 sq ft home) Found flooded 3/4/09 Mtr locked 3/5/09
3/18/2009	jw	Jim Darocha	TDEC	Brownlow UD	legality of contract	see notes
3/24/2009	jw	Sarah George	407-568-2190	Claiborne County UD	water cut off w/o notice	bill dropped between seats, failed to pay and cut off - perfectly legal to cutoff w/o notice.
3/27/2009	jw	Wendell Smith	423-322-1596	Hixson UD	water cut off w/o notice	mix up at bank/ck ret'd/ water cut off. Had to pay ret'd ck fee & reconnection fee.
3/27/2009	jw	Dave Stillwagon	865-448-0058	Tuckaleechee UD	low pressure	Only had \$17 of \$35 and promised to pay that afternoon, but forgot. Water cut off again with another \$35 fee. Explained that was legal.
3/27/2009	jw	Carmen Loseburg	423-542-8758	N.Eliz Water Co-op	wants UD water	referred to Steve Roberts Knox FO
3/27/2009	jw	Beverly Pitts	TRA	Upper Cumberland UD	high cost	50 yds from UD line co-op water gone from \$38 to \$100 in 2 yrs. Explained franchise. If Co-op will release, UD can serve otherwise no.
						see notes

JURISDICTION LIST FOR THE UTILITY MANAGEMENT REVIEW BOARD MARCH 23, 2009

<u>DISTRICT</u>	<u>COUNTY</u>	<u>LAST AUDIT</u>	<u>LAST BD APPEARANCE</u>
Bedford County Utility District	Bedford	June-08	April-09
Clay Gas Utility District	Clay	August-07	
Hampton Utility District	Carter	November-08	
Hornbeak Utility District	Obion	April-07	August-07
Iron City Utility District	Lawrence	December-07	October-08
Lake County Utility District	Lake	August-07	August-07
Lakeview Utility District	Hawkins	December-07	February-08
Lone Oak Utility District	Sequatchie	December-07	October-08
Mooreburg Utility District	Hawkins	December-06	August-08
Riceville Utility District	McMinn	June-08	February-08
Samburg Utility District	Obion	January-08	October-08
Sunbright Utility District	Morgan	March-08	February-09
Tarpley Shop Utility District	Giles	June-07	April-09
Upper Cumberland Gas Utility District	Cumberland	June-08	April-08
Webb Creek Utility District	Sevier	December-07	February-08
West Point Utility District	Lawrence	December-06	December-07

Tennessee Open Meetings Law: Transparency in Government

Office of Open Records Counsel



Background Information

Tennessee's commitment to transparency in government was first evidenced in the Tennessee Constitution (1796, 1870).

- ◆ Section 22 of Article II says, "[t]he doors of each House and of committees of the whole shall be kept open, unless when the business shall be such as ought to be kept secret."



Tennessee Open Government Statutes

- Tennessee Open Meetings Act, 1974
(T.C.A. § 8-44-101 et seq.)
- Tennessee Public Records Act, 1957
(T.C.A. § 10-7-501 et seq.)



Tennessee Open Government Statutes

- The Statutes attempt to balance the need of the public to know what government is doing with:
 - ◆ The need of members of governing bodies to be able to deliberate and reach best decisions; and
 - ◆ The need of government employees to have an "intellectually safe" work environment.



Office of Open Records Counsel

- ◆ Established by Public Chapter 1179, Acts of 2008
- ◆ Effective July 1, 2008
- ◆ Directed to establish educational programs and materials regarding open meeting laws in Tennessee that are to be made available to the public and to public officials.
- ◆ Directed to collect data on open meetings inquiries and problems and provide educational outreach on open meetings laws.
- ◆ Guides the Advisory Committee on Open Government in reviewing and providing written comment on any proposed legislation regarding open meetings law.



OORC Contact Information

For questions regarding open meetings laws or open records issues, or to set up a presentation, contact either Ann Butterworth or Elisha Hodge at:

615-401-7891 or 1-866-831-3750

Email open.records@tn.gov

Website <http://tn.gov.comptroller/openrecords>



Office Location

State of Tennessee
Comptroller of the Treasury
Office of Open Records Counsel
James K. Polk Building, Suite 1600
505 Deaderick Street
Nashville, Tennessee 37243-1402



Open Meetings or the Sunshine Law

- ◆ T.C.A. § 8-44-101(a): The general assembly hereby declares it to be the policy for this state that the formation of public policy and decisions is public business and shall not be conducted in secret.
 - The Act is to be construed most favorably to the public and applies to every meeting of a governing body except where statutory exclusion exists.
 - The Act does not guarantee citizens the right to participate in meetings but rather to attend and observe.

See *Souder v. Health Partners, Inc.*, 997 S.W.2d 140 (Tenn. Ct. App. 1998)



Open Meetings or the Sunshine Law

- ◆ T.C.A. § 8-44-102(a): All **meetings** of any **governing body** are declared to be public meetings open to the public at all times, except as provided by the constitution of Tennessee. [emphasis added]

- The Act does **not** apply to the General Assembly.
- Meetings may be closed to the public in very limited situations.



Open Meetings or the Sunshine Law

T.C.A. § 8-44-102 (b) :

- (1)(A) "Governing body" means: The members of any public body which consists of two (2) or more members, with the authority to make decisions for or recommendations to a public body on policy or administration . . .
- (2) "Meeting" means the convening of a governing body of a public body for which a quorum is required in order to make a decision or to deliberate toward a decision on any matter. "Meeting" does not include any on-site inspection of any project or program.



Open Meetings or the Sunshine Law

T.C.A. § 8-44-102 (b) does not define "public body."

It is clear that for the purpose of this Act, the Legislature intended to include any board, commission, committee, agency, authority or any other body, by whatever name, whose origin and authority may be traced to state, city or county legislative action and whose members have authority to make decisions or recommendations on policy or administration affecting the conduct of the business of the people in the governmental sector.

Dorrier v. Dark, 537 S.W.2d 888, 892 (Tenn. 1976), *rehearing denied*, 540 S.W.2d 658 (Tenn. 1976).



Open Meetings or the Sunshine Law

T.C.A. § 8-44-102 (b) "public body" includes:

- County commission
- City council
- Utility committee
- Board of directors of an authority
- Board of commissioners of a utility district
- Utility Management Review Board
- Water and Wastewater Finance Board



Open Meetings or the Sunshine Law

- ◆ T.C.A. § 7-82-308(e)(1): The board of commissioners of every utility district created pursuant to this chapter shall meet at least once each quarter, the time and place of such meeting to be published in accordance with title 8, chapter 44.
- ◆ Op. Tenn. Atty. Gen. No. 85-161 opined that a board of commissioners of a UD (under law of 1937) is a governing body within the meaning of Open Meetings Law.



Open Meetings or the Sunshine Law

- ◆ T.C.A. § 7-82-309(a) The board of commissioners of any district has the power and authority to:
 - (1) Exercise by vote, ordinance or resolution all of the general and specific powers of the district;
 - (2) Make all needful rules, regulations and bylaws for the management and the conduct of the affairs of the district and of the board.



Compliance

- ◆ Establish a compliant meeting process
 - Meeting dates: review for governmental and religious holidays
 - Meeting preparation: time needed for preparation and distribution of materials for consideration at meeting
 - Agendas: clearly identify issues on which actions need to be taken
 - Record keeping: promptly prepare minutes, circulate timely for review



Compliance

- ◆ Bylaws or rules of procedure aid in the orderly conduct of business in a meeting in compliance with the Act.
 - Regular scheduled meeting date, time and location
 - Special called meeting: authority to call and notice timeframe
 - Assignment of responsibility for records (preparation and retention)
 - Quorum (required number of voting members who must be present in order for business to be legally transacted at meeting)(not reference to the number who must vote)
 - Proxy/designee/ex officio
 - Agenda and order of actions



Open Meetings or the Sunshine Law

- ◆ Chance meeting: T.C.A. § 8-44-102(c)
Nothing in this section shall be construed as to require a chance meeting of two (2) or more members of a public body to be considered a public meeting. No such chance meetings, informal assemblages, or electronic communication shall be used to decide or deliberate public business in circumvention of the spirit or requirements of this part.



Open Meetings or the Sunshine Law

- ◆ Adequate Public Notice: T.C.A. § 8-44-103
 - Regular meeting: previously scheduled by statute, ordinance or resolution (also by bylaws)
 - Special meeting: not pursuant to previous scheduling but adequate notice still required
 - Section supplemental to other provisions of law requiring notice



Open Meetings or the Sunshine Law

- ◆ Adequate Public Notice: T.C.A. § 8-44-103
 - judged on facts and circumstances, not single formula
 - Notice timing: notice is deemed sufficient if "interested citizens" are given reasonable opportunity to exercise right to be present at meeting.
 - ◆ Remember- the "right" is to be present, not to participate.
 - Notice content: notice must reasonably described proposed action.



Compliance

- ◆ Notice posting: "location" where interested persons can become aware of meeting
 - Publication: Newspaper vs. internet;
Op. TN. Atty. Gen. 00-09
 - Physical posting: entity office vs. general public location
- ◆ Meeting Location
 - Physical layout: Space sufficiency and acoustics for both members and interested citizens
 - Access:
 - ◆ Procedures for entry to building, signage



Compliance

- ◆ ADA accommodations: large print or Braille, sign language interpreter, availability of parking near meeting location
- ◆ Meeting Notice
 - If any accommodations are needed for individuals with disabilities who wish to be present at the meeting, please contact (individual's name) at (telephone number and TTY)(by writing to X at Y). Requests should be made as soon as possible but at least (time frame) prior to the scheduled meeting in order for the entity to provide such needed aid or service.



Court Opinion

- ◆ Tennessee Court of Appeals for the Eastern Section outlined the following three-prong test for "adequate public notice": *Englewood Citizens for Alternate B v. Town of Englewood*, No. 03A01-9803-CH-00098, slip op. (E.S. Tenn. Ct.App. June 24, 1999).
- notice must be posted in a location where a member of the community could become aware of such notice;
- contents of the notice must reasonably describe the purpose of the meeting or the action proposed to be taken; and
- notice must be posted at a time sufficiently in advance of the actual meeting in order to give citizens both an opportunity to become aware of and to attend the meeting.



Open Meetings or the Sunshine Law

- ◆ Executive or closed sessions
 - Attorney-client privilege
 - ◆ Common law principle that communication between attorney and client should be free, without concern of disclosure.
 - ◆ Op. TN. Atty. Gen. 80-16 states that the TN Supreme Court in *Dorrier v. Dark*, 537 S.W.2d 888(1976) made "clear that actual decisions on matters of litigation (made after receiving the advice of counsel) are subject to the requirement that meetings be open. Only advisory sessions with attorneys would be exempted through operation of the privilege."



Open Meetings or the Sunshine Law

- State of Tennessee Audit Committee Act of 2005 (Tenn. Code Ann. Sections 4-35-101 et seq.)
 - ◆ Applies to state (not local) governing boards, councils, commissions and equivalent bodies that:
 - have authority to hire and fire employees; or
 - are responsible for preparation of financial statements.
 - ◆ Exemption may be granted by Comptroller.
 - ◆ Provides that reporting of suspected illegal, improper, wasteful or fraudulent activity is considered "audit working papers" and deemed confidential under the Tennessee Public Records Act (except as disclosed in a final report).



Open Meetings or the Sunshine Law

- ◆ State of Tennessee Audit Committee Act provides that confidential, non-public executive sessions may be held to discuss:
 - Public records exempted from public access or inspection;
 - Litigation;
 - Audits or investigations;
 - Information protected by federal law; and
 - Reports of suspected illegal, improper, wasteful or fraudulent activity.



Open Meetings or the Sunshine Law

- ◆ State of Tennessee Audit Committee Act provides that:
 - No other matters may be discussed in the confidential, non-public executive sessions;
 - Agenda for meeting must disclose in general terms the nature of the discussion to be held in the executive session; and
 - If a meeting has both public and executive session matters, public matters must be conducted first.



Open Meetings or the Sunshine Law

- ◆ State of Tennessee Audit Committee Act provides that:
 - Chair of meeting must announce adjournment of public portion of meeting and that remainder of meeting will be held in executive session pursuant to Tenn. Code Ann. Section 4-35-108;
 - Executive session to commence when all unauthorized persons have departed; and
 - A full governing board, council, commission and equivalent body may hold an executive session under same constraints.



Open Meetings or the Sunshine Law

- Quasi Executive Session:
 - ◆ Op. TN. Atty. Gen. 80-50 states that a request by a governing body for certain persons to leave an open meeting is not directly prohibited by Act. However, such a request may not coerce a waiver of right to be present. Departure *must* be on voluntary basis.



Open Meetings or the Sunshine Law

- ◆ Minutes and records of meeting: T.C.A. § 8-44-104
 - Minutes shall be:
 - ◆ promptly and fully recorded
 - ◆ open to public inspection
 - Minutes shall include:
 - ◆ record of persons present
 - ◆ all motions, proposals, and resolutions offered and results of votes taken



Open Meetings or the Sunshine Law

- ◆ Minutes and records of meeting: T.C.A. § 8-44-104
 - Roll call votes must be recorded indicating individual votes
 - All votes must be public (whether vote or ballot) and not secret
- ◆ Statute specifies that "public vote" means vocal expression of either aye or nay, in that order



Open Meetings or the Sunshine Law

- ◆ Electronic Participation: T.C.A. § 8-44-108
 - Limited to boards, agencies and commissions of state government and "municipal governing bodies organized under title 6, chapter 18, and having a city commission of three (3) members, and having a population of more than two thousand five hundred (2,500), according to the 2000 federal census or any subsequent federal census".
 - ◆ Op. TN Atty Gen. 99-15: county school board member not allowed to participate by telephone.



Open Meetings or the Sunshine Law

- ◆ Electronic Participation T.C.A. § 8-44-108
 - An eligible governing body may (but is not required to) permit a member to participate in a meeting by electronic or other means of communication.
 - ◆ Meeting must otherwise comply with the Act and not be used to circumvent the spirit or requirements of the Act
 - ◆ Notice of the meeting must specify that participation by electronic or other means of communication will be permitted
 - ◆ Members so participating must receive in advance copies of any documents to be discussed, substantially the same in content



Open Meetings or the Sunshine Law

- ◆ Electronic Participation: T.C.A. § 8-44-108
 - For any meeting at which participation by a member by electronic or other means of communication is permitted:
 - ◆ Members so participating must be able to simultaneously hear each other and speak to each other during the meeting and must be audible to the public at the meeting location.
 - ◆ Members so participating must identify all persons present with them.
 - ◆ All votes must be by roll call.
 - ◆ An electronic participant is not eligible for per diem reimbursement but may receive reimbursement related to the expense of the communication.



Open Meetings or the Sunshine Law

- ◆ Electronic Participation: T.C.A. § 8-44-108
 - If a physical quorum is present at location of meeting, no finding of necessity is required.
 - If a physical quorum is not present at location, then governing body must find that necessity exists.
 - Findings of necessity must be filed with Secretary of State no later than two (2) working days after the meeting. SOS is to report to General Assembly at least annually regarding the filings.



Open Meetings or the Sunshine Law

- ◆ Electronic Participation: T.C.A. § 8-44-108
 - "Necessity" means that the matters to be considered by the governing body at that meeting require timely action by the body, that physical presence by a quorum of the members is not practical within the period of time requiring action, and that participation by a quorum of the members by electronic or other means of communication is necessary.



Open Meetings or the Sunshine Law

- ◆ Remedial nature: T.C.A. § 8-44-105
 - If a meeting is held in violation of the Act, any action taken is void and of no effect; nullification of action rather than penal remedy.
 - Commitments affecting public debt that are otherwise legal are not nullified or voided.
 - Open Meetings Act does not make a distinction between technical and substantive violations of its provisions. *Zselvay v. Metropolitan Government of Nashville and Davidson County*, 986 S. W.2d 581 (Tenn. Ct. App. 1998).



Open Meetings or the Sunshine Law

Enforcement: T.C.A. § 8-44-106

- Circuit, chancery and other equity courts.
- Court's written findings of fact and conclusions of law and final judgment are to be filed with minutes of governing body.
- Court "shall permanently enjoin any person adjudged by it in violation of this part from further violation of this part. Each separate occurrence of such meetings not held in accordance with this part constitutes a separate violation."
- Jurisdiction retained for one (1) year from entry of judgment; written reports due semiannually from defendants.



Compliance

- ◆ Individual board member compliance:
 - Op. TN Atty. Gen. 98-047 states that a member-elect who "has completed all the requirements necessary to qualify to perform the official duties of a member and whose term has begun" is subject to the Act.
 - Review materials in advance of meeting:
 - ◆ Pose questions to staff, not other members, in advance of meeting.



Compliance

- ◆ Op. TN. Atty. Gen. 99-144 meetings between single member of a governing body and a third party consultant are not "meetings" of governing body subject to the Act as long as not used to deliberate towards or make a decision.
- Avoid discussions about board business outside of published meetings:
 - ◆ Establish "walls" for social settings.
 - ◆ Avoid "respond all" e-mails even if only cc'ing other members.
- Prior to vote engage in open and public discussion of item during meeting.



2008 Open Meetings Legislation

- ◆ PC 917 permits public hospitals to discuss and develop marketing strategies and strategic plans in closed meetings and related records are confidential until board of hospital moves to adopt. Amends T.C.A. § 68-11-269.
- ◆ PC 1179 establishes the Office of Open Records Counsel, directs the development of OM educational programs, and requires the collection of data on OM law inquiries and problems.
- ◆ Additionally PC 923, effective July 1, 2008, allows Knox County government to utilize internet relay chat on a pilot project basis. T.C.A. § 8-44-109.

<https://knoxgov.net/commission/commissionforum>



Stated Use and Purpose of Knox Forum:

"On May 15, 2008, the Governor signed into law an amendment to the Public Meetings Act - Tenn. Code Ann. §§ 8-44-108(b) and 109. The Amendment enables the members of the Knox County Commission to communicate by electronic means under certain conditions, including the creation of a web site through which electronic communication by commissioners is conducted and is available for viewing by the public at all times and the archiving of the electronic communications to ensure that such electronic communications are publicly available for at least one (1) year after the date of the communication."



Stated Use and Purpose of Knox Forum:

"The postings on this forum are unedited. Once published, nothing can be deleted or edited in any fashion by Administrators or Commissioners and the postings become part of a stored record that will be available, by law, for a minimum of one (1) year after the date of the communication. Again, posting to this web site is strictly limited to the membership of the Knox County Commission."

<https://knoxgov.net/commission/commissionforum/viewforum.php?f=2>



Chat example from 85 topics

Protest of Process of Election of Committee Chairman by **Richard Briggs** on Fri Sep 05, 2008 12:55 am

To Chairman Strickland:
I wish to express my concern regarding the proceedings on August 29, 2008 after the election of the Chairman and Vice Chairman of the Knox County Commission. The Committee on Commissioners retired to deliberate in private on the assignment of commissioners to the various Committees of the Knox County Commission. The deliberations were not held in public as required under the Open Meetings Act and the Committee returned to the Assembly Room to announce their appointments.

The Finance and Intergovernmental Committees then "huddled" in private to select the Chairman, Vice Chairman, and Secretary of the



Chat continued

Committees. The proceedings were not conducted in the customary open fashion for electing officers. I can speak only for the Finance Committee, but no explanation was offered to the process for the newly sworn in commissioners, no nominations solicited for the chairmanship, no discussion took place, and no vote taken by roll call.

For those of us recently elected, we ran on a platform of openness and accountability in government. I feel we have a mandate from the public to insist business is conducted in an open and fair manner and it will no longer be "business as usual." All commissioners, even the new ones, have the right to participate and understand the process. We will not tolerate the appearance or perception of impropriety. I have grave concerns that the deliberations mentioned above met neither the letter nor the spirit of the Open Meetings Act. No minutes were taken on the nominations of the officers for the committees and no record made of the vote - thus no accountability. . . .



Potential 2009 Open Meetings Legislation

- ◆ Expansion of electronic participation:
 - Eligible governing bodies
 - Removing/reducing restriction of "necessity"
- ◆ Increase number of members triggering "meeting"
- ◆ Elimination of requirement of newspaper or print publication
- ◆ Expansion of executive or closed sessions



CITY OF CELINA
PRELIMINARY FINANCIAL SUFFICIENCY STUDY
CLAY GAS UTILITY DISTRICT

Prepared by Alan Major, MTAS Financial Consultant

January 2009

MTAS evaluated the Clay Gas Utility District (CGUD) by reviewing current operational policies, past audit reports, reviewing their capital needs, various managerial reports, and reviewing projected revenues and expenses through FY 2011.

MTAS depended on the information supplied by CGUD staff and the Comptroller's office to draw the conclusions presented in this report. Their help was instrumental in pulling all the information together. This report considers information received through December 2008.

This study was made on behalf of the City of Celina in order to determine if it's taking over CGUD is feasible.

FINDINGS

1. The CGUD is in poor financial shape. It does not appear to have ever made a profit and has a negative Retained Earnings balance of \$1,708,193 as of June 30, 2007.
2. The original documentation of assets acquired before August 31, 2001, is lost requiring the auditors to **not** give an opinion on the financial statements. Basically, there were no asset records to audit. There are valid concerns that the capital assets are overstated at \$2,420,685 (includes \$511,372 in accumulated depreciation).
3. Reports and discussions indicate that gas line installation was poorly done, showing the need for remedial construction to put lines deeper in the ground. There could be some liability associated with ownership and the audit report states that there is no liability insurance.
4. For a variety of reasons, there are **not** a lot of customers buying natural gas from GCUD. Lack of capital was a major problem requiring CGUD to purchase gas on the spot market rather than lock in a long term purchase contract at a fixed price. Many of the larger customers, such as hen house operations, have gone to propane for heat. The propane sellers have taken advantage of the situation by bringing large inventories of propane to the area insuring their customers of constant heating fuel.

5. Propane has been more expensive than natural gas. This effectively caps or limits future natural gas rates to the cost of propane gas.
6. CGUD issued revenue bonds in 1998 in the amount of \$3,140,000. There has never been a principal payment made. I do not believe there has been any interest payment on this debt either but some money has been reserved for debt service (see next item). As of 6/30/2007, there was \$1,007,844 due in past interest and \$580,000 in past due principal.
7. The debt was issued by Morgan Keegan. It is my understanding that they are willing to accept .26 on the dollar. That computes to \$816,400 on the original issue. This will have to be "new" money as there is \$75,187 reserved for bond payments and only \$14,876 in unrestricted cash.
8. Debt service on \$1,000,000 for 30 years at 5% is \$64,419 consisting of \$14,754 of principal and \$49,665 of interest in the first full year of repayments. I used a million because the system needs money to expand and repair the Tennessee gas infrastructure.
9. One bright note is that CGUD owns a tap and regulator station on the Eastern Texas pipeline. This is a valuable asset ranging in value up to \$500,000 depending on the purchaser.
10. CGUD contracts with the Sentra Corporation to perform maintenance and safety checks on the gas system. Sentra also prepares the billing and is essentially managing the operations in Tennessee and Kentucky. Its parent company, Daugherty Petroleum, Inc., is contracted to purchase the gas. CGUD lacked the funds necessary to consistently pay for gas relegating it to the spot gas market where prices are higher. This contractual relationship has been good for the customers by allowing for a better gas purchase price than CGUD could get.
11. The current gas prices are competitive but a large increase is necessary in order to get the operation just to meet its expenses, including debt.
12. At the end of 2007, CGUD's largest commercial customer went out of business owing \$56,614 to CGUD.
13. CGUD's annual gas revenues have been around \$300,000. Annual operating expenses have been around \$350,000 including \$68,000 in depreciation.
14. CGUD has approximately 191 customers. Residential customers are charged \$6.00 minimum and gas charges of \$7.44 per mcf and \$4.00 distribution charge per mcf. Commercial customers are charged \$20.00 minimum and gas charges of \$7.44 per mcf and \$4.00 distribution charge per mcf. Industrial customers are charged \$50.00 minimum and gas charges of \$7.44 per mcf.

15. The City of Celina operates a utility now and could run the gas system. I would caution that a gas operation has unique safety and required maintenance that is far different from other utility operations. Conceivably, the City could replace Sentra in the maintenance and operation of the gas line. With enough capitalization, the City could replace Daugherty Petroleum, Inc. as the gas purchaser.
16. The city does not have any personnel with gas system experience. Purchasing gas is simple enough but getting the best price is both art and science. Small operations should consider joining a buying consortium enhancing your buying power and assuring reliable gas flows.
17. The city and county want natural gas available in Clay County. The only thing that makes this project financially appealing is the potential for debt settlement resulting in substantial savings. I used \$1 million in the findings area above. However, a better solution would be a cash donation from another government. Any money received could reduce the amount of new debt lowering the projected annual debt service.
18. If the City takes over CGUD, there is no doubt that significant increases in gas rates are necessary in order to fund depreciation and a reduced debt payment. These increases are necessary to comply with State laws and to operate in a sound financial manner.
19. Poor financial operations have left the gas system with fewer customers and little cash. In fact, a large customer went out of business at the end of 2007 further reducing the customer base and cash flow. The gas system needs operating capital and probably infrastructure improvements.
20. An earlier recommendation by the Utility Management Review Board (UMRB) was to raise rates by 70%. If the debt is reduced to \$0.26 on the dollar, I believe you can raise gas rates by 50% and still become profitable. Raising the current rates by 50% would create an additional \$140,000. Projected revenues would therefore be **\$440,000** annually (Current annual sales of \$300,000 plus the \$140,000).
21. It is likely that gas prices will drop due to the economy which might reduce operating costs. I would still project \$350,000 in operating costs which includes \$68,400 in depreciation. Increase that by projected interest expense during year one by \$49,665 for a total of **\$399,665** in operating expenses. That would leave \$40,335 net profit or just over 9% profits (\$440,000 less \$399,665). Of course these are estimates even though great care and effort has been put into developing them.
22. From a cash flow perspective, the principal debt repayment in year one of \$14,754 can be offset with depreciation expense. The \$399,665 less \$68,400, and plus

\$14,754 equals \$346,019 in annual cash outflow in year one. Cash flow in year one is a positive \$93,981.

RECOMMENDATIONS

1. Do not buy under the current scenario.
2. Do not buy unless the following issues can be improved.
 - a. Make a counter offer in writing to satisfy the bonds and past due interest. Although \$0.26 has been discussed, I would want a better deal. This system is too small to carry a big debt load. If the new debt were only \$500,000 instead of \$1,000,000, the annual debt service saving would be \$32,000 per year. Ultimately, this means lower gas rates to the customers.
 - b. Seek a donation from Clay County to pay toward the renegotiated payoff to Morgan Keegan. Most of the customers are outside the city. Ultimately, this means lower gas rates to the customers.
 - c. Seek an appropriation from the Utility Management Review Board (UMRB). Although legally permissible, there have not been any appropriations to the UMRB to make this type of assistance. This is an embarrassment to the State. Ultimately, this means lower gas rates to the customers.
3. If the City decides to buy.
 - a. Hire an engineer or firm with experience in gas operations. Records are sorely lacking. As built drawing were being drafted. A full record of all lines and gas infrastructure is crucial. Create documentation to establish infrastructure records and values that the auditors would accept.
 - b. Review gas contracts with Sentra and Daugherty Petroleum, Inc. Somebody has to perform maintenance and safety checks (like Sentra). Somebody needs to purchase gas on long term contracts in order to lock in a stable rate (like Daugherty).
 - c. The City has no personnel with gas system experience. Get training for those personnel involved with the new gas system.
 - d. Survey the current customers. You need to find out what problems exist. You should inform customers about the changes in ownership. You should alert everyone to higher future gas rates.

- e. Make every effort to contact and regain those lost customers who now use propane. This is a small gas operation that needs additional growth for its viability.